



House of Representatives

File No. 692

General Assembly

January Session, 2009

(Reprint of File No. 454)

Substitute House Bill No. 6512
As Amended by House
Amendment Schedule "A"

Approved by the Legislative Commissioner
April 16, 2009

AN ACT CONCERNING THE ELECTRIC CONTRACT PROCUREMENT PROCESS.

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. Subsection (c) of section 16-244c of the general statutes is
2 repealed and the following is substituted in lieu thereof (*Effective from*
3 *passage*):

4 (c) (1) On and after January 1, 2007, each electric distribution
5 company shall provide electric generation services through standard
6 service to any customer who (A) does not arrange for or is not
7 receiving electric generation services from an electric supplier, and (B)
8 does not use a demand meter or has a maximum demand of less than
9 five hundred kilowatts.

10 (2) Not later than October 1, 2006, and periodically as required by
11 subdivision (3) of this subsection, but not more often than every
12 calendar quarter, the Department of Public Utility Control shall
13 establish the standard service price for such customers pursuant to
14 subdivision (3) of this subsection. Each electric distribution company

15 shall recover the actual net costs of procuring and providing electric
16 generation services pursuant to this subsection, provided such
17 company mitigates the costs it incurs for the procurement of electric
18 generation services for customers who are no longer receiving service
19 pursuant to this subsection.

20 (3) An electric distribution company providing electric generation
21 services pursuant to this subsection shall mitigate the variation of the
22 price of the service offered to its customers by procuring electric
23 generation services contracts in the manner prescribed in a plan
24 approved by the department. Such plan shall require the procurement
25 of a portfolio of service contracts sufficient to meet the projected load
26 of the electric distribution company. Such plan shall require that the
27 portfolio of service contracts be procured in an overlapping pattern of
28 fixed periods at such times and in such manner and duration as the
29 department determines to be most likely to produce just, reasonable
30 and reasonably stable retail rates while reflecting underlying
31 wholesale market prices over time. The portfolio of contracts shall be
32 assembled in such manner as to invite competition; guard against
33 favoritism, improvidence, extravagance, fraud and corruption; and
34 secure a reliable electricity supply while avoiding unusual, anomalous
35 or excessive pricing. The portfolio of contracts procured under such
36 plan shall be for terms of not less than six months, provided contracts
37 for shorter periods may be procured under such conditions as the
38 department shall prescribe to (A) ensure the lowest rates possible for
39 end-use customers; (B) ensure reliable service under extraordinary
40 circumstances; and (C) ensure the prudent management of the contract
41 portfolio. An electric distribution company may receive a bid for an
42 electric generation services contract from any of its generation entities
43 or affiliates, provided such generation entity or affiliate submits its bid
44 the business day preceding the first day on which an unaffiliated
45 electric supplier may submit its bid and further provided the electric
46 distribution company and the generation entity or affiliate are in
47 compliance with the code of conduct established in section 16-244h.

48 (4) On or before July 1, 2010, each electric distribution company

49 providing electric generation services pursuant to this subsection shall
50 file with the department a procurement plan that provides for a
51 transition from sole reliance on full requirements generation service
52 contracts for standard service supply to a procurement process in
53 which the distribution company manages a portfolio of electric
54 generation supply resources by January 1, 2012. Each electric
55 distribution company shall develop such portfolio in a manner that
56 mitigates the variation of the price of the service offered to the electric
57 distribution company's customers by blending short and mid-term
58 market purchases at prevailing market prices with long-term
59 purchases at prices aligned with the cost of electricity production. Such
60 plan shall specify the method for purchasing power for standard
61 service and the electric distribution companies may (A) procure load
62 following full requirements service contracts in a manner similar to
63 that pursuant to subdivision (3) of this subsection; (B) procure
64 individual electric supply components, including, but not limited to,
65 base load, intermediate and peaking energy resources, capacity and
66 other power supply services, using requests for proposals, bilateral
67 contracts outside the request for proposals process and the regional
68 power market; (C) procure physical and financial hedges to manage
69 prices, including, but not limited to, tolling arrangements and financial
70 transmission rights; and (D) manage the power supply portfolio with
71 purchases and sales of energy and other products in the spot market
72 and on a real-time basis, to balance purchases with load, and to
73 optimize supply for the benefit of customers. Such plan shall describe
74 how an electric distribution company shall, over time, transition to its
75 new supply aggregation role and manage the power supply portfolio
76 on a real-time basis to optimize supply for the benefit of customers.
77 The department shall set standard service rates in accordance with
78 subdivision (2) of this subsection, provided such rates will be trued up
79 to actual revenues and expenses twice per year, with any over or
80 under recovery being included in either the current period or
81 subsequent standard service rate, as determined by the department.
82 An electric distribution company shall recover the reasonable costs it
83 incurs to provide such service.

84 [(4) The] (5) In approving a plan pursuant to subdivision (3) or (4) of
85 this subsection, the department, in consultation with the Office of
86 Consumer Counsel, shall retain the services of a third-party entity with
87 expertise in the area of energy procurement to oversee the initial
88 development of the request for proposals and the procurement of
89 contracts by an electric distribution company for the provision of
90 electric generation services offered pursuant to this subsection. Costs
91 associated with the retention of such third-party entity shall be
92 included in the cost of electric generation services that is included in
93 such price.

94 [(5) Each] (6) For resources acquired pursuant to subdivision (3) of
95 this subsection, each bidder for a standard service contract shall
96 submit its bid to the electric distribution company and the third-party
97 entity who shall jointly review the bids and submit an overview of all
98 bids together with a joint recommendation to the department as to the
99 preferred bidders. The department may, within ten business days of
100 submission of the overview, reject the recommendation regarding
101 preferred bidders. In the event that the department rejects the
102 preferred bids, the electric distribution company and the third-party
103 entity shall rebid the service pursuant to this subdivision.

104 Sec. 2. (NEW) (*Effective from passage*) (a) Each electric distribution
105 company shall apply for any federal economic recovery funds received
106 by the state pursuant to any federal economic stimulus recovery
107 legislation passed in 2008 or 2009 for energy purposes for any qualified
108 project. Any money received by such electric distribution companies
109 shall be used to offset costs to customers.

110 (b) On or before February 1, 2010, each electric distribution
111 company shall report, in accordance with the provisions of section 11-
112 4a of the general statutes, to the joint standing committee of the
113 General Assembly having cognizance of matters relating to energy
114 regarding federal economic recovery funds applied for and received, if
115 applicable.

116 Sec. 3. (NEW) (*Effective from passage*) The Department of Public
117 Utility Control shall direct the electric distribution companies to seek
118 proposals to renegotiate any outstanding contracts pursuant to
119 subsection (c) of section 16-244c of the general statutes. If any electric
120 distribution company receives proposals and renegotiates contracts
121 pursuant to this section, the department shall conduct a contested case
122 proceeding to determine if reopening such contracts has resulted in
123 lower prices for consumers. The suppliers under such existing
124 contracts shall not be required to submit proposals and nothing in this
125 section shall abrogate existing contracts.

This act shall take effect as follows and shall amend the following sections:

Section 1	<i>from passage</i>	16-244c(c)
Sec. 2	<i>from passage</i>	New section
Sec. 3	<i>from passage</i>	New section

The following Fiscal Impact Statement and Bill Analysis are prepared for the benefit of the members of the General Assembly, solely for purposes of information, summarization and explanation and do not represent the intent of the General Assembly or either chamber thereof for any purpose. In general, fiscal impacts are based upon a variety of informational sources, including the analyst's professional knowledge. Whenever applicable, agency data is consulted as part of the analysis, however final products do not necessarily reflect an assessment from any specific department.

OFA Fiscal Note

State Impact: None

Municipal Impact: None

Explanation

This bill requires each electric company to file a plan with the Department of Public Utility Control (DPUC) by July 1, 2010 to change the way it procures power for its standard service customers.

This bill could result in DPUC opening additional contested case proceedings. Currently DPUC opens approximately 350 proceedings a year. There is no anticipated fiscal impact associated with opening an additional proceeding.

House "A" makes changes to the procurement plan and results in no fiscal impact.

The Out Years

State Impact: None

Municipal Impact: None

OLR Bill Analysis**sHB 6512 (as amended by House "A")******AN ACT CONCERNING THE ELECTRIC CONTRACT
PROCUREMENT PROCESS.*****SUMMARY:**

This bill requires each electric company to file a plan with the Department of Public Utility Control (DPUC) by July 1, 2010, to change the way it procures power for its standard-service customers (small- and medium-size customers who have not chosen a competitive supplier). It gives the companies additional options to procure this power.

The bill requires DPUC to direct the companies to seek proposals to renegotiate outstanding service supply contracts. If a company receives proposals and renegotiates contracts, DPUC must conduct a contested case (quasi-judicial) proceeding to determine whether reopening the contracts has resulted in lower prices for consumers. The bill does not (1) require suppliers under contracts to submit proposals or (2) abrogate existing contracts.

The bill requires each electric company to apply for any federal economic recovery funds Connecticut receives under any federal economic stimulus recovery legislation passed in 2008 or 2009 for energy purposes for any qualified project. Any money the companies receive must be used to offset costs to customers. By February 1, 2010, each company must report to the Energy and Technology Committee on the federal economic recovery funds applied for and received, if applicable.

*House Amendment "A" (1) adds the option of the companies managing the power supply portfolio, (2) explicitly states that (a)

suppliers under existing contracts are not required to submit proposals and (b) the bill does not abrogate existing contracts, and (3) makes a technical change.

EFFECTIVE DATE: Upon passage

PROCUREMENT PLAN

Plan Development

Under the bill, each company must develop a procurement plan that moves from relying entirely on full requirements generation service contracts for standard service supply to a procurement process in which the company manages a portfolio of electric generation supply resources by January 1, 2012. (Full requirements contracts cover the company's entire demand at all times, as distinct from buying individual components, such as the power needed to meet peak demand.)

Each company must develop the portfolio in a way that mitigates the variation of the price of the service it offers by blending short- and mid-term market purchases at prevailing market prices with long-term purchases at prices aligned with the cost of producing electricity.

Plan Specifics

Under the bill, the plan must specify how the companies will purchase power for standard service. The companies may procure supply contracts in a way similar to how they do so under current law. Alternatively, they may:

1. procure individual electric supply components, such as base load, intermediate, and peaking energy resources, capacity, and other power supply services, using requests for proposals, bilateral contracts outside of the request for proposals process and the regional power market;
2. procure physical and financial hedges to manage prices, including mechanisms such as tolling arrangements (an example of a tolling arrangement is an agreement in which a

party is paid for fuel used at a generating facility with energy generated at the facility rather than cash), and financial transmission rights. (Participants in the regional wholesale electric market can bid for financial transmission rights to receive a share of fees charged in connection with congestion on the transmission system); or

3. manage the power supply portfolio with purchases and sales of energy and other products on a real-time basis in the spot market, to balance purchases with load (demand), and to optimize supply for the benefit of customers.

Service Rates

The plan must describe how a company will, over time, move to its new supply aggregation role and manage the power supply portfolio on a real-time basis to optimize supply for customers' benefit. DPUC must set standard service rates in accordance with current law, provided the rates must be adjusted to actual revenue and expenses twice per year, with any over or under recovery being included in either the current period or subsequent standard service rate, as determined by DPUC. A company may recover reasonable costs it incurs to provide such service in its rates.

Plan Approval

In approving the plan, DPUC, in consultation with the Office of Consumer Counsel, must retain a consultant with expertise in energy procurement. The costs associated with retaining the consultant must be included in the cost of electric generation services.

COMMITTEE ACTION

Energy and Technology Committee

Joint Favorable Substitute

Yea 22 Nay 0 (03/17/2009)